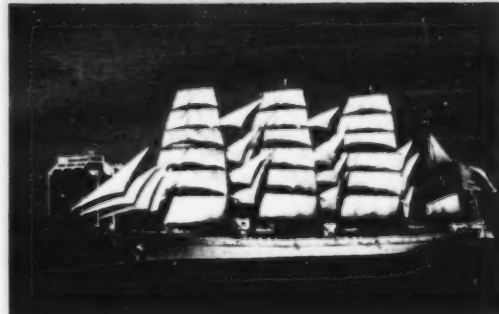


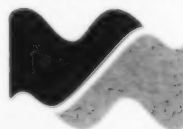
annual report

2003

2004



Waterfront Development
Corporation Limited





awards

2003

The Coast

BEST OF HALIFAX AWARD

- best place that won't let you forget you're in Halifax
- best place to impress out-of-towners

2002

Excellence on the Waterfront

INTERNATIONAL HONOUR AWARD

Bishop's Landing • South Battery Plaza & Park

2002

Canadian Institute of Planners

PLANNING EXCELLENCE AWARD

Halifax Waterfront Open Space and Development Plan

2001

Excellence on the Waterfront

INTERNATIONAL HONOUR AWARD

Halifax Waterfront Rejuvenation and Harbourwalk

fiscal year

1 April – 31 March

auditors

Grant Thornton LLP

production

annual report designed in house
featuring environmentally friendly materials

board of directors

Eric Thomson, Chairman

Directors

Alan Barkhouse

Ruth Goldbloom

Robert Hartlin

Brian Lugar

Ken Giffin

David Harrison

Jack Leedham

Fred Were

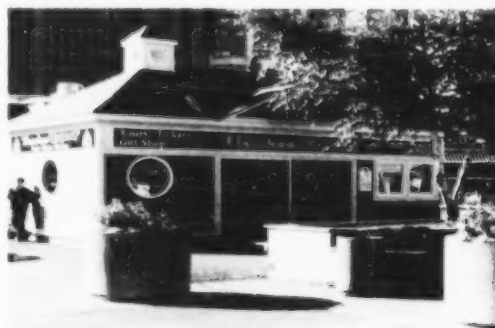


photo credit: WDCL



message from the corporation

Waterfront Development Corporation Limited was established as a provincial Crown corporation in March 1976. The corporation's mission is to serve as a champion of a dynamic vision and to plan, coordinate, promote and develop properties, events and activities on designated waterfronts around Halifax Harbour.

Today, dedication to the long-term development and revitalization of the Bedford, Dartmouth and Halifax waterfronts has created waterfront districts of cultural significance, innovative design and connectivity with the harbour.

Since incorporation, WDCL has initiated a number of major projects and, as a result, approximately \$112 million in private sector development and \$65 million in public sector development has been achieved. In recognition of these accomplishments, the corporation has garnered several national and international accolades including the International Honour Award for the Bishop's Landing development, South Battery Plaza and South Battery Park.

WDCL has ownership of a number of valuable public waterfront assets including walkways, wharves and seawalls all designed with a focus on public accessibility. The corporation

also maintains a significant inventory of lands for future development.

Realizing that a maintenance strategy is necessary, WDCL initiated an engineering study to access the life cycle cost over a 50-year period. As a result, an Infrastructure Renewal Fund was established in 2001 to provide funding for capital repairs or replacement of the extensive infrastructure owned by the corporation. This fund has been supplemented annually from operating revenues. The decision to start and maintain this fund was justified with the unexpected damages suffered by waterfront lands as a result of Hurricane Juan followed only a few short months later by White Juan in February 2004.

This past year the corporation proceeded with the implementation of a variety of significant planning and development initiatives. Major initiatives include the Queen's Landing and Maritime Museum of the Atlantic expansion project, the Salter Street development, the continuation of the Dartmouth Harbourwalk Trail and the new boat ramp, completion of the South Jetty and the boardwalk extension in Bedford. WDCL continues to partner with private-sector developers and Halifax Regional Municipality to provide a truly unique waterfront experience for visitors and all Nova Scotians.



mandate

Waterfront Development Corporation Limited is a Crown corporation established in 1976 to revitalize the waterfronts of Bedford, Dartmouth, and Halifax. The mandate includes:

Property acquisition, management and development within designated areas in Bedford, Dartmouth and Halifax.

Marketing and promotion designed to attract public use of the waterfronts.

Coordination and planning of the waterfronts of Bedford, Dartmouth and Halifax including championing assets owned by the province throughout the entire harbour.

mission

To serve as Champion of a dynamic vision and to plan, coordinate, promote and develop properties, events and activities on designated waterfronts around Halifax Harbour.

strategic goals

The corporation's strategic goals are to provide infrastructure, opportunity and support for further public and private investment that will enhance the capital region as a place to live, do business, invest and visit. By enhancing the quality of the waterfronts for residents and visitors, the corporation creates the opportunity for continuing economic growth by creating increased leisure traffic, meeting and convention activity, attracting new festivals and events, and additional residential, institutional and commercial development. An emphasis is placed on quality development and programs that will make all Nova Scotians proud of their capital region and province, and encourage people to visit Nova Scotia.



photo credit: Jocelin d'Entremont



core business areas

Waterfront Development Corporation Limited is undertaking a full and stimulating agenda of planning, development and marketing. In the years ahead, the corporation will continue to focus on its core business areas, building on economic trends impacting Halifax Harbour and the surrounding region to enhance the quality of life in the Capital Region and Province of Nova Scotia.

Development, provision of new public areas and special event opportunities, with all their challenges and benefits, will be a focus of the future. In Bedford, the creation of new land for public areas and development opportunities, while providing an environmentally safe site for pyritic slate, is high on the list of priorities. In Dartmouth, the opportunity with the Nova Scotia College of Art and Design to locate a second campus on the Dartmouth waterfront continues to be explored. Commitment to a continuation of the Harbourwalk along the Dartmouth shoreline, has renewed interest in the Dartmouth waterfront. In Halifax, continuing to partner with the private sector and HRM in creating additional mixed-use developments similar in quality to the award winning Bishop's Landing will be a priority.

Strengthening existing events and generating new festivals and activities, including the Tall Ships Challenge visit in 2004, will be at the forefront.

These initiatives as well as others in the Business Plan will be achieved in an economically sustainable manner to ensure that projects and programs of the corporation leave a positive legacy for all Nova Scotians.



photo credit: Province of Nova Scotia



financial highlights

The corporation generated positive cash flow from operations of \$1.4 million, including a \$240,000 recovery of a legal settlement expense from 2001. The corporation used this cash flow to improve working capital and pay down long-term debt as well as fund Infrastructure Fund expenditures. Debt of \$300,000 was paid down in 2003-2004 while another \$400,000 was allocated to a fund for public infrastructure replacements.

Net earnings were \$1,045,354 on revenue of \$3.2 million, compared to \$751,680 on revenue of \$3.1 million for the previous year. This year saw loan interest expense decrease by \$47,000 over the prior year, a benefit of the \$3.5 million debt reduction in the previous fiscal year. Operating costs increased by \$238,000 over the prior year, due largely to repairs relating to Hurricane Juan. It is anticipated the 2004/2005 fiscal year will continue to show strong cash flow that will be used to further initiatives on the Bedford, Dartmouth, and Halifax waterfronts.

hurricane recovery

Hurricane Juan dealt a severe blow to WDCL waterfront infrastructure resulting in damages calculated at approximately \$360,000. Within a month, repairs were largely completed and the corporation offered project management assistance to Halifax Regional Municipality to help HRM rebuild sections of DeWolfe Park, one of Bedford's most picturesque parks.

Being at the mercy of Mother Nature was a challenge for everyone who found himself or herself in the path of Hurricane Juan. As one of the major property owners actively involved in promoting public accessibility to the waterfront areas of Bedford, Dartmouth and Halifax, WDCL applied for public relief funds from the federal government. However, federal guidelines stipulate that Crown corporations are ineligible for financial assistance and WDCL is appealing this policy.



photo credit: Province of Nova Scotia



acquisition / management / development

salter street block

Environmental and geotechnical studies were carried out on this block of Halifax waterfront land together with an evaluation of development scenarios. An Expression of Interest was issued and three proponents were selected to proceed to the stage of preparing detailed proposals. Centennial Group was chosen as the preferred proponent for the Salter Street development project. Negotiations will be conducted with Centennial prior to an application to Halifax Regional Municipality for a development agreement.

wdc-1 dartmouth

After the failure of Innovative Properties to proceed with a development on WDC-1 in Dartmouth, another Request for Proposals was issued. A number of submissions were received but unfortunately, none met the minimum requirement standards of WDCL. The corporation is reassessing the timing of another proposal call.

nscad & the dartmouth waterfront

The corporation continued to work closely with the Nova Scotia Collage of Art and Design (NSCAD) to secure a second campus on the Dartmouth waterfront. A Memorandum of Understanding was agreed to between the parties.

3 & 5 canal street

The corporation was able to acquire a strategic property in Dartmouth Cove adjacent to the Shubinacadie Canal and the planned extension to the Dartmouth Harbourwalk.

new vending kiosks

Designs were developed for new vending kiosks on the Halifax waterfront. The construction and installation was completed over the winter and will be available for occupancy in the spring of 2004. The new structures will significantly raise the quality of seasonal businesses on the waterfront.

improvements to infrastructure

The Cable Wharf, a 90-year old structure on the Halifax waterfront housing the offices of the corporation and Murphy's on the Water, underwent a \$200,000 upgrade.



coordination and planning

post confederation waterlots

The longstanding issue of resolving the ownership of post confederation waterlots continues to be negotiated with the Halifax Port Authority. It is anticipated that a favourable negotiation will result in new partnership opportunities with HPA to provide additional public amenities.

queen's landing museum expansion

A Request for Proposals was issued for a private sector partner in a unique development opportunity to expand and rejuvenate the Maritime Museum of the Atlantic. This project will be conducted in partnership with the Nova Scotia Office of Economic Development and the Department of Tourism.

halifax harbour plan

Through cooperation with federal, provincial and municipal governments, a program to prepare a plan for the Halifax Harbour has been initiated and a draft is anticipated in the summer of 2004.

george's island

A feasibility study, which analyzed the requirements and cost of opening the National Historic Site George's Island to the public, has not yet been implemented due to lack of funding at the federal level to support the \$5 million dollar project. WDCL will continue to champion this development as a major attraction for the region and province.

dartmouth harbourwalk

Approval to complete this trail was received and it is expected that construction will be finished in summer 2004. WDCL has invested over \$330,000 on the planning, design and construction of this trail system. The corporation is looking to partner with Halifax Regional Municipality and others to implement the remaining phases of the Dartmouth Harbourwalk.

nova scotia hospital lands

A Future Land Use Plan was coordinated by WDCL with other government agencies, which led to the approval of the establishment of the community college and the completion of the first phase of the Dartmouth Harbourwalk Trail.



infill operation Bedford

Infill operations at the corporation's pyritic slate disposal facility in Mill Cove, Bedford continued. The infill site provides an environmentally safe disposal facility for pyritic slate that is generated by construction projects through the region. During the 2003-2004 fiscal year, approximately 50,000 square yards of slate were received from a variety of development projects in the region. This allowed approximately 1.5 acres of new land to be created. When complete, Phase II of the Bedford waterfront will create 30 acres of land that will be developed by the corporation into a mixed-use development, which will contain substantial public infrastructure components. The corporation maintains high standards of environmental controls through all infill activities and monitors continuously to ensure that water quality in the Bedford Basin is not adversely impacted by operations.

phase II planning bedford

A technical cost and conceptual planning review was completed for Phase II of the Bedford waterfront. Study findings provided up-to-date development costs associated with the land creation and infrastructure requirements as well as a high level review of the development opportunities for Phase II. A Bedford Waterfront Focus Group was formed to provide valuable feedback throughout the

planning stages. A detailed planning process, scheduled for the fall of 2003, was delayed due to the need to engage United Gulf, an owner of land and waterlots within Phase II. It is anticipated that the process will begin in 2004.



promotions

alFresco filmFesto

This free outdoor film series at Tall Ships Quay continues to surpass all records in originality and attendance. Featuring films such as *The Pink Panther* and *American Graffiti*, alFresco appeals to a wide variety of cinematic tastes. This season, alFresco took the show on the road with a screening of *The Princess Bride* at the annual Bedford Days celebration. WDCL is proud to be a continuing supporter of the filmFesto.

bedford days

Staff continues to serve on the Executive Committee for Bedford Days, a community festival held at DeWolfe Park on the Bedford waterfront. The Kick-Off and Canada Day events attracted crowds in excess of 5,000 people, mainly families who came down to enjoy music, children's entertainment and the largest fireworks display east of Montreal.

canada day celebrations

For the second year in a row, the Halifax waterfront hosted the Canada Day Summerfest waterfront festival. A unique element of the event was the beach volleyball tournament, which was open to competitors

and the general public. The highlight of the event was a performance by Colin James with an intro by locally renowned Charlie A'Court. The venue at Queen's Landing was perfectly situated to enjoy the spectacular fireworks display.

grou tyme

Everything Acadian was the slogan for this September event. For three days in mid-September, Queen's Landing on the waterfront came alive with the sounds of Zydeco music and the thunder of traditional Acadian dancing. Not only was there a variety of hot and spicy food to tempt you but also visitors had a chance to experience traditional Acadian arts and crafts handmade by Acadian artisans.

halifax-dartmouth natal day

This year, Halifax-Dartmouth celebrated the 108th civic birthday party. Once again, WDCL coordinated with the festival organizers on the planning and organization of one of the largest, free community festivals in Nova Scotia. Queen's Landing on the Halifax waterfront served as the main entertainment venue featuring performances by Glamour Puss, Urban Renewal and Salsa Picante.



international halifax busker festival

This is an annual event marked in the calendars of families months in advance. With average attendance in excess of 40,000 people per day, this is one of the largest annual events hosted on the Halifax waterfront and features performers and acts from around the globe. Staff works a year in advance with the festival organizers to ensure an environment of fun, excitement and safety for all visitors during this ten-day event. With over 10 performance stages, Comedy Nights at the Casino and two outdoor entertainment tents, the waterfront is carnival-like in its atmosphere and a great way to celebrate summer in the city.

interpretive panels

The Halifax waterfront installed a series of wayfinding signs in 2000. To complement this directional signage, the corporation commissioned a series of interpretive panels depicting activities or areas of interest to visitors to the waterfront district. Panels were sponsored by various private sector organizations as a way to acknowledge the importance of the waterfront to the local economy. This year, three panels were installed highlighting Pier 21, Tall Ships and the Port of Halifax. The harbour has numerous stories to tell and each year the corporation hopes to introduce them to you.

public relations

WDCL continues to promote the activities and achievements of the corporation through news conferences, news releases, newsletters and project specific public focus groups. This year, the corporation's web site received a major upgrade resulting in a dynamic, easy-to-navigate site that has been developed to provide detailed information on WDCL, it's past and present projects, future initiatives and overall mandate. The corporation has received very positive feedback on the new design, depth of information and ease of navigation. WDCL will continue to utilize the web site as the main vehicle for communicating the goals and objectives of the corporation.

tall ships challenge 2004

Following the success of Tall Ships 2000, the Province of Nova Scotia asked WDCL to take the lead in future tall ship visits. Early in 2002, an opportunity for Halifax to be a host port in the *Tall Ships Challenge 2004 Race* presented itself and the corporation immediately indicated interest in pursuing the opportunity. Under guidance of the Board of WDCL, a Project Manager worked closely with staff throughout the year on the development of a 40-ship event, which will also include the annual Halifax-Dartmouth Natal Day celebrations and Grou Tyme, a celebration of Acadian culture. Support from



the community has been strong with much anticipation expressed by sponsors. An event of this scale could not function without volunteers and an active campaign is ongoing to recruit people with an interest in this type of maritime festival. Finalization of the corporate sponsors, the total number of ships and the logistics of the shore-side entertainment will be one of the major activities of the corporation in preparation of this event.

theodore too

The corporation became a Pioneer Sponsor during the "Save Theodore" campaign when Murphy's on the Water put together a business plan to ensure the tug remained in Halifax Harbour. WDCL will continue in this role for the immediate future, aiding Murphy's on the Water as they work towards a self-sustaining business model.

visitor and public opinion survey

With the increase in popularity of the waterfront as a destination, the corporation conducted a visitor and public opinion survey of visitors to the Halifax waterfront. In partnership with the Nova Scotia Gaming Corporation, specific objectives included targeting information relating to satisfaction levels of a waterfront visit, identifying issues relating to safety and security, if any, and

demographic information to identify who and why people are including the waterfront in their travel plans. Reflecting the corporation's efforts, 98% stated they would recommend the waterfront to others. And overall, visitors to the waterfront were highly satisfied with their waterfront experience, rated highly their overall enjoyment, the quality of the public spaces and the appeal of the attractions. The corporation will use the findings from the study to continue to enhance the waterfront experience.



outlook for the future

Provincial statistics indicate that the waterfront is now the number one destination for visitors to the province. The economic impact resulting from the consistent enhancements to the waterfront district has proven to be a major benefit to the Nova Scotian economy.

We will continue to provide responsible planning guidance, innovative development opportunities and actively promote events and activities to the waterfronts of Halifax Harbour in an effort to ensure recognition as North America's premiere waterfront.

We welcome your review of our annual report and to share with us the success and accomplishments achieved this year. Over the coming years, there will be many changes to the landscape around the harbour. We will continue to solicit your support, input and guidance into the design and planning process and we encourage you to visit our web site in the coming years for the latest news and views on the waterfront district.

Our board, consisting of nine dedicated and qualified volunteers, wishes to thank the management and staff for their continual dedication and commitment to the corporation. A special thank you to the

Province of Nova Scotia and in particular the Minister of Economic Development, for unswerving interest and encouragement of our mandate.

The corporation would also like to thank our many stakeholders, tenants and partners within the Waterfront Districts of Bedford, Dartmouth and Halifax, for their continued interest and commitment. And most importantly, we thank the many visitors who enjoy the waterfront and all it has to offer. Without you, we would not be where we are today.

Thank you.

Fred Were
President & CEO

Eric Thomson
Chairman



president's perspective

It has been just over ten years since I had the opportunity to join the corporation as President & CEO. I will be taking my retirement this year and would like to take this opportunity to express to our shareholder, the Province of Nova Scotia, our Board of Directors, and certainly my colleagues at WDCL, that it has been an exciting period and a decade of significant accomplishment. This is not the result of any one person but a team effort, which was developed between our proactive Board of Directors and a small, highly dedicated and competent staff.

There have been many milestones. On the Halifax waterfront, these include the successful development of a major site at South Battery, now home to Bishop's Landing, South Battery Plaza and South Battery Park; development of Block M including the Waterfront Warehouse complex and a longer-term development, NovaScotian Crystal. Public amenities include the Harbourwalk walkway providing, among other things, one of the world's best locations for hosting fleets of tall ships and winning "Best Port" on three successive occasions.

The merger of the former Bedford Waterfront Development Corporation Limited with WDCL provided opportunities such as the

continuation of Phase II development incorporating the environmentally safe depositing of pyritic slate and planning of new public amenities to include a south jetty, public boat ramp and extension of the Harbourwalk.

In Dartmouth, we have attracted interest from the Nova Scotia College of Art and Design for a second campus. Our interest to partner on this initiative is not only to revitalize this section of Dartmouth but also to be a major economic transformation for the region.

Financially, the corporation has managed to become self-sustaining with little or no dependence on tax revenue. Business planning has allowed an expansion of its mandate into events and promotions, which is an important economic generator for the province and region.

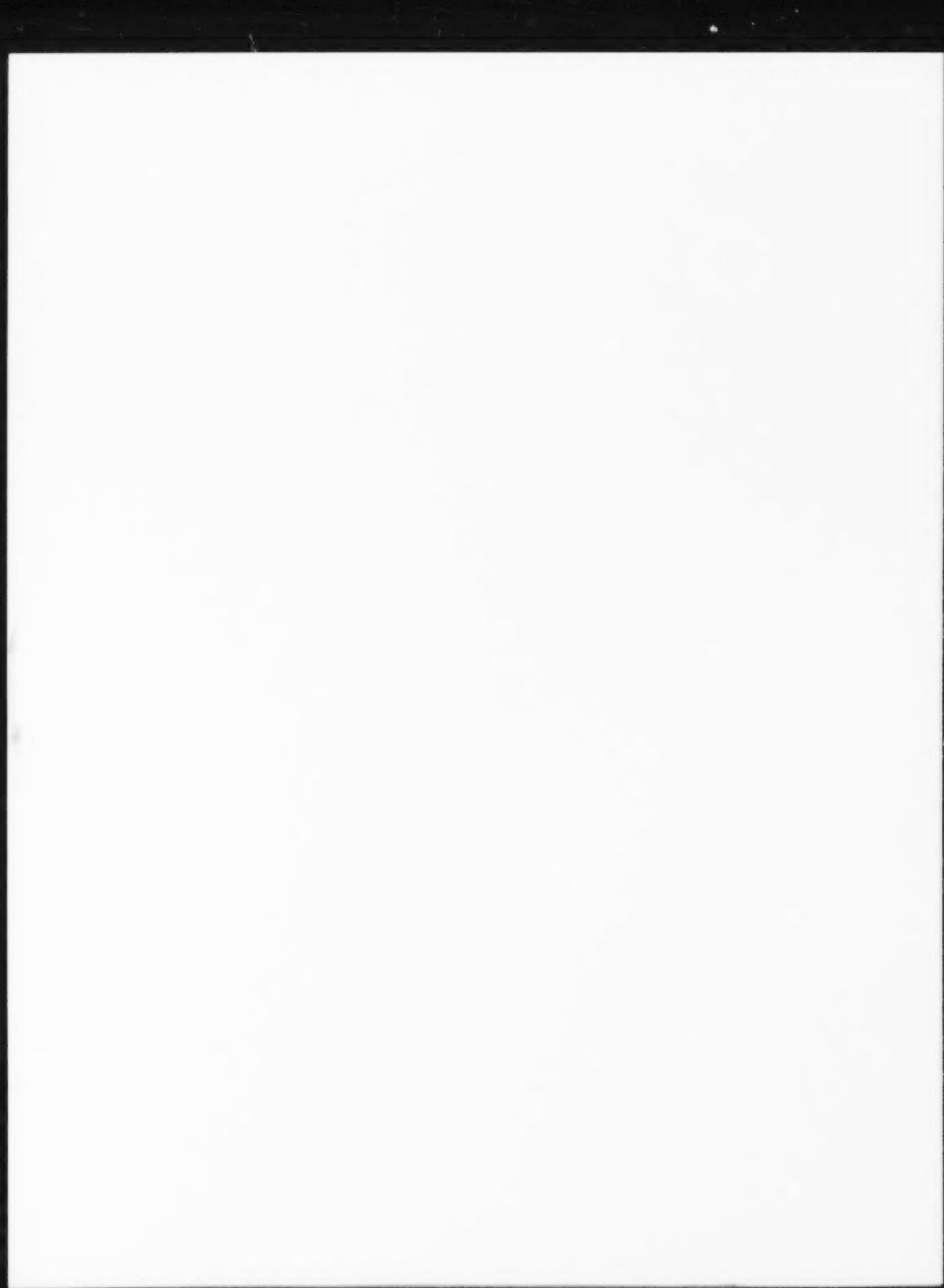
These are but a few of the many exciting and innovative projects that have come to fruition. The past ten years have seen an unprecedented growth and new appreciation of the province's most valuable asset, its waterfronts, and the next ten years promises to be equally as exciting. From my perspective, WDCL is equal to the task.



In closing, I wish to offer a salute and a note of appreciation for a unique contribution.

For over twenty-five years, Eric Thomson has served on our Board of Directors, joining the board as a Director then appointed to the position of Vice Chairman. Eric is currently the Chairman of the Board. His interest and commitment to the corporation has been remarkable and he has been a guiding light to management for most of the corporation's history.

With sincere thanks,
Fred Were



Waterfront Development Corporation Limited

Financial Statements

March 31, 2004

Grant Thornton 

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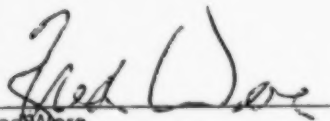
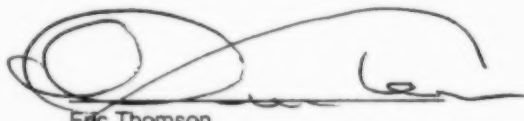
Management Statement on Financial Reporting

To the Shareholder of
Waterfront Development Corporation Limited

The accompanying financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles. Management is also responsible to ensure that all information reproduced in the annual report is consistent with the statements. In carrying out its responsibilities, management maintains appropriate systems of internal controls designed to ensure that the financial information produced is relevant and reliable and that the Corporation's assets are appropriately accounted for and adequately safeguarded.

Ultimate responsibility for the financial statements rests with the Board of Directors. A Finance Committee of non-management Directors is appointed by the Board to review the financial statements in detail with management and to report to the Directors prior to their approval of the financial statements for publication. The Directors have established standards of conduct for employees to prevent conflicts of interest and unauthorized disclosure of confidential information.

The shareholder's auditors review the financial statements in detail and meet separately with both the Finance Committee and management to review their findings. Grant Thornton LLP, Chartered Accountants report directly to the shareholder.


Fred Were
President and Chief Executive
Officer
Eric Thomson
Chair
Board of Directors

Grant Thornton LLP
Chartered Accountants
Management Consultants

Auditors' Report

To the Shareholder of
Waterfront Development Corporation Limited

We have audited the balance sheet of **Waterfront Development Corporation Limited** at March 31, 2004 and the statements of earnings and retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2004, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Grant Thornton LLP

Halifax, Nova Scotia
May 7, 2004

Grant Thornton LLP
Chartered Accountants

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Waterfront Development Corporation Limited

Statements of Earnings and Retained Earnings

Year Ended March 31

2004

2003

Revenue		
Rents	\$ 3,032,921	\$ 2,979,257
Recoveries	9,759	27,123
Interest income	924	5,379
Other income	30,543	20,721
Grant revenue	<u>130,732</u>	<u>112,400</u>
	<u>3,204,879</u>	<u>3,144,880</u>
Property expenses		
Property taxes	16,203	18,217
Operating	890,083	652,296
Depreciation and amortization	<u>300,432</u>	<u>302,486</u>
	<u>1,206,718</u>	<u>972,999</u>
Income before other items	<u>1,998,161</u>	<u>2,171,881</u>
Corporate expenses		
Directors' fees and expenses	55,878	36,768
Doubtful accounts (recovery) expense	(26,845)	91,890
Office operations	80,658	62,872
Professional fees		
Audit	14,500	13,000
Programs	68,433	93,749
Legal (recovery) fees	(204,170)	33,221
Salaries, contracts and benefits	511,876	470,970
Waterfront promotions and public relations	<u>43,796</u>	<u>41,688</u>
	<u>544,126</u>	<u>844,158</u>
Loan interest	233,897	280,017
Depreciation on facilities for public access	92,000	82,843
Contribution to non-owned infrastructure	<u>82,784</u>	<u>213,183</u>
	<u>408,681</u>	<u>576,043</u>
Net earnings	<u>\$ 1,045,354</u>	<u>\$ 751,680</u>
Retained earnings, beginning of year	\$ 3,421,034	\$ 1,269,354
Net earnings	1,045,354	751,680
Transfer from General Development Reserve	-	1,800,000
Transfer to Infrastructure Renewal Fund (Page 12)	<u>(400,000)</u>	<u>(400,000)</u>
Retained earnings, end of year	<u>\$ 4,066,388</u>	<u>\$ 3,421,034</u>

See accompanying notes to the financial statements.

Waterfront Development Corporation Limited

Balance Sheet

March 31

2004

2003

Assets

Receivables - trade	\$ 684,709	\$ 205,504
Notes receivable (Note 3)	49,051	60,544
Prepays	31,124	6,947
Deferred costs - Tall Ships Challenge 2004	182,385	-
Real estate and development projects (Note 4)	27,405,676	27,509,602
Deferred pension costs	9,070	9,977
	<u>\$ 28,362,015</u>	<u>\$ 27,792,574</u>

Liabilities

Bank indebtedness (Note 5 and 8)	\$ 164,366	\$ 360,980
Payables and accruals	404,826	434,992
Deferred revenue (Note 6)	2,089,787	1,928,414
Loans payable (Note 5)	<u>6,355,364</u>	<u>6,655,364</u>
	<u>9,014,343</u>	<u>9,379,750</u>

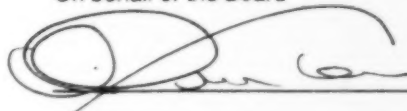
Shareholder's Equity

Capital stock (Note 7)	3	3
Contributed surplus	13,747,826	13,747,826
Infrastructure Renewal Fund (Note 8 and Page 12)	1,533,455	1,243,961
Retained earnings	<u>4,066,388</u>	<u>3,421,034</u>
	<u>19,347,672</u>	<u>18,412,824</u>
	<u>\$ 28,362,015</u>	<u>\$ 27,792,574</u>

Commitments (Note 10)

Contingencies (Note 12)

On behalf of the Board

 Director

 Director

See accompanying notes to the financial statements.

Waterfront Development Corporation Limited

Statement of Cash Flows

Year Ended March 31

2004

2003

Increase (decrease) in cash and cash equivalents

Operating		
Net earnings	\$ 1,045,354	\$ 751,680
Depreciation and amortization	<u>392,432</u>	<u>385,329</u>
	1,437,786	1,137,009
Change in non-cash operating working capital (Note 9)	<u>(715,026)</u>	<u>495,100</u>
	<u>722,760</u>	<u>1,632,109</u>
Financing		
Interest earned on Infrastructure Renewal Fund	45,517	27,545
Expenditures from Infrastructure Renewal Fund	(156,023)	-
Decrease in notes receivable	11,493	13,894
Decrease in loan payable	<u>(300,000)</u>	<u>(3,500,000)</u>
	<u>(399,013)</u>	<u>(3,458,561)</u>
Investing		
Purchase of equipment	(21,301)	(38,848)
Purchase of real estate and construction projects, net	(267,205)	(132,038)
Deferred revenue	<u>161,373</u>	<u>1,913,413</u>
	<u>(127,133)</u>	<u>1,742,527</u>
Net increase in cash and cash equivalents	196,614	83,925
Bank indebtedness, net of cash and cash equivalents		
Beginning of year	<u>(360,980)</u>	<u>(277,055)</u>
End of year	\$ <u>(164,366)</u>	\$ <u>(360,980)</u>

See accompanying notes to the financial statements.

Waterfront Development Corporation Limited

Notes to the Financial Statements

March 31, 2004

1. Nature of operations

The Corporation was declared a Provincial Crown Corporation by order of His Honour the Lieutenant Governor in Council No. 76-373 dated March 30, 1976.

The Corporation's mission is the stewardship, long term development and revitalization of the Halifax, Dartmouth and Bedford waterfronts, including the encouragement of promotional activity to attract public attention and use of these areas.

2. Summary of significant accounting policies

Revenue recognition

Rent and recovery revenues are recorded on an accrual basis as earned.

Revenue generated as a result of property development is applied as a reduction in the cost. The Corporation received amounts from third parties for dumping fill on a Corporation property. These amounts had been offset against accumulated development costs related to the property and the excess had been recorded as deferred revenue.

Government assistance for capital projects are accounted for as a reduction in the capital cost of the applicable project. Government assistance related to the cost recovery of overhead costs are accounted for as grant revenue.

Income taxes

As a Provincial Crown Corporation, the Corporation is exempt from income taxes under the provisions of the Income Tax Act.

Depreciation

All expenditures directly related to acquisition, renovation and development are included in the cost of real estate.

Building and equipment

Assets are depreciated on a straight line basis over their useful life, but not greater than 50 years, at rates between 2% and 33.3% per annum.

Long-term lease

The cost of the lease referred to in Note 4 is amortized over its term.

Development costs

Costs for projects constructed on Corporation lands are capitalized and depreciated at 2% per annum.

Non-owned infrastructure

The Board of Directors approves expenditures related to improvements to facilities for public access which are not owned or leased by the Corporation. These expenditures are expensed as incurred.

Waterfront Development Corporation Limited

Notes to the Financial Statements

March 31, 2004

2. Summary of significant accounting policies (continued)

Use of estimates

In preparing the Corporation's financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenue and expenses during the year. Actual results could differ from these estimates.

Bank indebtedness and cash equivalents

Bank indebtedness is comprised of cash on hand, cash held in banks and an operating line of credit.

Financial instruments

The fair value of cash, receivables, payables and accruals, and loans payable approximate their carrying amounts because of their short term to maturity.

Notes receivable are subject to credit risk. In management's opinion these risks are not significant.

3. Notes receivable	2004	2003
Note receivable bearing interest at a variable rate calculated annually, repayable in blended monthly payments of \$942, maturing June 2006.	\$ 23,889	\$ 48,179
Note receivable bearing interest at 9%, repayable in blended monthly payments of \$253, maturing April 2008.	10,162	12,365
Note receivable bearing interest at 6%, repayable in blended monthly payments of \$554, maturing March 2007.	15,000	-
	<u>\$ 49,051</u>	<u>\$ 60,544</u>

4.	Real estate and development projects		2004	2003
	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>	<u>Net Book Value</u>
Facilities for public access	\$ 6,419,116	\$ 1,454,421	\$ 4,964,695	\$ 5,054,345
Real estate and development projects	<u>26,975,535</u>	<u>4,534,554</u>	<u>22,440,981</u>	<u>22,455,257</u>
	\$ 33,394,651	\$ 5,988,975	\$ 27,405,676	\$ 27,509,602

Included in the cost of real estate is a prepaid long-term lease from the Federal Department of Public Works for a term of 45 years from 1977, with three ten-year renewal options.

Waterfront Development Corporation Limited

Notes to the Financial Statements

March 31, 2004

5. Credit facility

(i) The Corporation has available a combined credit facility of \$18,100,000, of which \$14,500,000 is secured by a guarantee of the Province of Nova Scotia, bearing interest at the Bank of Montreal prime rate, less 0.95 percent. The additional \$3,600,000 is available at the Bank's prime rate to be secured by a negative pledge regarding its real property.

(ii) Loans payable	<u>2004</u>	<u>2003</u>
Capital projects	\$ 4,600,000	\$ 4,900,000
Office of Economic Development, non-interest bearing	<u>1,755,364</u>	<u>1,755,364</u>
	<u>\$ 6,355,364</u>	<u>\$ 6,655,364</u>

The loan from the Office of Economic Development is secured by a charge over specific real property and is to be repaid from excess funds generated from sales of real estate development.

If segregated funding was required for the infrastructure renewal fund (Note 8) and the amount was drawn against the credit facility, the loans payable related to capital projects would total \$6,133,455, increasing the total balance to \$7,888,819.

6. Deferred revenue	<u>2004</u>	<u>2003</u>
Bedford Infill	\$ 1,610,989	\$ 1,860,914
Economic recovery studies and proposals	92,811	-
Tall Ships Challenge 2004 sponsorships	385,987	-
Deposit from sale of property	<u>-</u>	<u>67,500</u>
	<u>\$ 2,089,787</u>	<u>\$ 1,928,414</u>

In the current year, costs incurred on the Bedford Infill exceeded the amounts received and therefore the excess was removed from the deferred revenue and applied against those costs.

7. Capital stock	<u>2004</u>	<u>2003</u>
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Authorized:

5,000 shares without nominal or par value

Issued:

3 shares	\$ <u>3</u>	\$ <u>3</u>
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The shares are held in trust by one representative of the Province for the Queen in Right of the Province of Nova Scotia.

Waterfront Development Corporation Limited

Notes to the Financial Statements

March 31, 2004

8. Infrastructure renewal fund

The infrastructure renewal fund (Page 12) shall be used for the renewal or replacement of public use facilities such as wharves, boardwalks, and parks, when such work is required as a result of aging. In general, the fund will not be used for ordinary repairs necessitated by other causes, or for repair/replacement of minor portions of such assets. Exceptions may be made when deemed appropriate by management in consultation with the Board. Interest has been allocated to the fund based on the interest rate paid on the credit facility.

The Corporation has not established a separate cash investment account for the infrastructure renewal fund. All excess cash of the Corporation has been applied against the capital project loan payable (refer to Note 5). Any expenditures from this fund will be funded from the current credit facility.

9. Supplemental cash flow information

	<u>2004</u>	<u>2003</u>
Change in non-cash operating working capital		
Receivables - trade	\$ (479,205)	\$ 248,331
Prepays	(24,177)	(628)
Deferred costs - Tall Ships Challenge 2004	(182,385)	-
Deferred pension costs	907	12,029
Payables and accruals	<u>(30,166)</u>	<u>235,368</u>
	<u>\$ (715,026)</u>	<u>\$ 495,100</u>
Bank indebtedness, net of cash and cash equivalents is comprised of the following:		
Cash in bank account and on hand	\$ 4,180	\$ 5,824
Line of credit	<u>(168,546)</u>	<u>(366,804)</u>
	<u>\$ (164,366)</u>	<u>\$ (360,980)</u>
Interest paid	<u>\$ 233,897</u>	<u>\$ 280,017</u>

Waterfront Development Corporation Limited

Notes to the Financial Statements

March 31, 2004

10. Commitments

- (i) The Corporation has entered into a lease agreement for the water lot portion of Queen's Wharf. Minimum lease payments over the next five years, assuming renewal at similar terms, are as follows:

2005	\$ 1,016
2006	1,016
2007	1,016
2008	1,016
2009	1,016

- (ii) The Corporation has committed to organize and fund, through various sponsorship and event ticket sales, Tall Ships Challenge 2004. The Corporation has a budget of approximately \$2,000,000 for expenditures related to this event of which \$182,385 has been expended and a further \$289,745 has been committed through agreements for the coming year.
- (iii) The Corporation has agreed to provide compensation, not to exceed \$75,000, to replace fish habitat displaced as a result of infilling the Bedford Water lots.

11. Employee pension plan

The Corporation is a participant in a multi-employer pension plan, the Nova Scotia Public Sector Superannuation Plan. The plan required payments for past service benefits which are being amortized to earnings over the expected average remaining service life of the employee group.

The most recent actuarial valuation of this plan was completed as at December 31, 2002 and includes pension assets of \$2,685,300,000, and pension liabilities of \$3,272,300,000, resulting in an unfunded liability of (\$587,000,000). The amount applicable to the Corporation is not determinable and should not be significant as its participation includes only five employees.

12. Contingencies

- (i) Waterfront Development Corporation is a defendant in an action brought forward, claiming specific performance of an alleged Agreement of Purchase and Sale for Parcel 4.5, lands of WDCL. This site has subsequently been sold, under which the agreement of purchase and sale required the Corporation to enter into an indemnity agreement to protect the purchaser against possible legal expenses and claims arising from this action. The outcome is undeterminable at this time and no amounts have been accrued in these financial statements. Should the outcome be unfavourable, the Province will reimburse the Corporation for the amount settled.

Waterfront Development Corporation Limited

Notes to the Financial Statements

March 31, 2004

- (ii) The Corporation has been named in a claim presented to the courts, claiming breach of contract in respect of a purchase and sale agreement for land in Bedford, Nova Scotia. The outcome is undeterminable at this time and no amounts have been recorded in these financial statements. It has been determined that the likelihood of success by the plaintiff is low, but should the claim be successful, the Corporation will seek reimbursement from the Province.
- (iii) During the year, the Corporation incurred expenses related to the cleanup and repair of damage caused by Hurricane Juan. The Corporation has applied for and expects to obtain reimbursement of some of these expenses from the Federal government. As the amount is undeterminable, no amount has been recorded in these financial statements.

Waterfront Development Corporation Limited
Schedule of Revenue, Expenditures and Fund Balance for
the Infrastructure Renewal Fund

Year ended March 31, 2004

	<u>2004</u>	<u>2003</u>
Revenue		
Interest	\$ 45,517	\$ 27,545
Expenditures		
Cable wharf upgrade	<u>156,023</u>	<u>-</u>
(Deficiency) excess of revenues over expenditures	\$ <u>(110,506)</u>	\$ <u>27,545</u>

Fund Balance, beginning of year	\$ 1,243,961	\$ 816,416
(Deficiency) excess of revenue over expenditures	(110,506)	27,545
Transfer from operations	<u>400,000</u>	<u>400,000</u>
Fund Balance, end of year	\$ <u>1,533,455</u>	\$ <u>1,243,961</u>

